



# Base Morning Intraday Note

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## Copper

Base metal prices could rise amid a worsening European supply outlook and shipping disruptions, Goldman Sachs says. "With shipping disrupted from Black Sea ports and all European smelting now uneconomical at current energy prices, we would expect to see higher prices across the metals complex...in the near term," the investment bank says. Goldman forecasts copper will reach \$12,000 a ton and for both zinc and aluminium to hit \$5,000 a ton should these disruptions intensify. Three-month LME copper rises 0.7% to \$10,282 a ton, three-month LME aluminium gains 1.1% to \$3,538 a ton and three-month LME zinc slips 0.1% to \$4,132 a ton (Bloomberg). Little has changed in copper overnight having seen some severe intraday volatility yesterday that resulted in both bearish and bullish rejection candles. Intraday price and momentum are aligned to the sell side with price now on the longer period EMA's (30-60), these are well spaced but are flat, indicating neutrality in the market. This is supported by a deep pullback yesterday, for the technical to be bearish we need to trade below USD 9,794. Upside moves that close on the 4-hour candle above USD 10,370 with the RSI at or above 60 (currently 50) will mean price and momentum are aligned to the buy side. Resistance is at USD 10,370, USD 10,508, USD 10,603 with support at USD 10,151, USD 10,018, and USD 9,794. Technically bullish on what looks to be a corrective wave 4, the deep pullback means we now have a neutral bias.

## Alu

We are seeing a similar footprint to that of copper this morning, strong gains on the Asian open yesterday were followed by a corrective pullback after the unprecedented closure of the Nickel futures. A deep pullback has resulted in the technical having a neutral bias whilst intraday price and momentum are aligned to the sell side. Intraday Elliott wave analysis would suggest the futures are on a corrective wave 4, a close on the 4-hour candle above USD 3,671 with the RSI at or above 63.5 (currently 47) will mean P&M are aligned to the buy side. Downside moves below USD 3,359 will create a lower low meaning the intraday technical will be bearish based on price; however, when we look at the higher timeframe Elliott wave cycle, we see the base of the wave 3 at USD 3,108. The pullback is still considered as deep in either scenario, but our wave analysis would suggest this downside move is countertrend. Upside moves that fail at or below USD 3,856 remain vulnerable to further tests to the downside, warning the futures could be on a complex corrective wave 4. Resistance is at USD 3,671, USD 3,754, USD 3,856 with support at USD 3,436, USD 3,314, and USD 3,108. Neutral/bullish, but in a corrective wave 4.

## Zinc

For fear of repetition, we will keep this brief. Price rallied on the open yesterday followed by a deep pullback that has created a lower low in the market, the near-term technical is bearish. In terms of Elliott wave, we look to be on a corrective wave 4 but the deep pullback means the bull technical has a neutral bias. A close on the 4-hour candle above USD 4,348 with the RSI at or above 71.5 (currently 56.5) will mean price and momentum are aligned to the buy side, further resistance is at USD 4,411 and USD 4,566. Upside moves that fail at or below USD 4,566 remain vulnerable to further tests to the downside, Support is at USD 4,005, USD 3,834, and USD 3,546. Neutral/bullish.

## Nickel

The futures are still closed. The chairman of China's Tsingshan Holding Group said that the hike in nickel prices has not affected the world's second-largest nickel producer's operation. According to market rumours, Tsingshan, which allegedly has 200,000 tons of futures contracts in short position, cannot deliver its products due to the lack of spot goods and skyrocketing nickel futures prices, as it was squeezed out by Swiss commodity futures giant Glencore, China Securities Journal reported yesterday. This could result in a huge loss or the sale of over 60 percent stake in Tsingshan's Indonesian nickel mine and industrial park's interests. Tsingshan needs to increase the margins or roll the futures if it decides to keep the contracts, which will require a huge amount of cash flow, an industry analyst told Yicai Global. The decision to directly close out the 200,000-ton short position will result in a loss of about USD8 billion, the person added (Bloomberg).

## Lead

A correction yesterday means the futures have a neutral bias, below USD 2,442.5 price will have made a lower low and be bearish in the near-term. Intraday Elliott wave analysis would suggest this is a corrective wave 4, the longer-term trend remains in bull territory above USD 2,437 and neutral below. Upside moves on the 4-hour candle that close at or above 2,570 with the RSI at or above 67 (currently 57) will mean price and momentum are aligned to the buy-side. Likewise, upside moves that fail at or below USD 2,622 will leave the technical vulnerable to further tests to the downside. Resistance is at USD 2,570, USD 2,586, USD 2,622 with support at USD 2,437, USD 2,387, and USD 2,301. Technically bullish but in a corrective phase.